

PERSONAL TAXES FAIL IN ILLINOIS

Probably Not One-Twentieth of the Intangible Values Listed for Assessment—Less than \$4,000,000 Mortgages in Entire State.

LAW CANNOT BE ENFORCED

Cook County's "Credits Other Than Banker" Less Than \$12,000,000. Probably Has a Billion—Tazewell County Returns More Mortgages Than Cook—Many Counties Return No Mortgages.

Almost complete failure results from the attempt to tax intangible values under the uniform property tax system in Illinois. Most of the intangibles escape taxation altogether. The report of the State Board of Equalization for 1915 shows the following totals for the State assessed by the local assessing bodies. The figures are for the "assessed"—one-third—value:

Investments in (secured by) real estate and improvements (mortgages)	\$ 1,209,300
Shares of capital stock of companies not of this State	1,364,852
Credits other than banker	41,575,686
Annuities and royalties	72,745
Bonds and stocks	10,576,904
Total	\$54,799,487

Probably the full value of all taxable values in Illinois of the kinds mentioned is at least twenty times as much as the amount that is listed for taxation.

Consider these figures: Cook County returns "credits other than banker," \$3,225,678—full value about \$12,000,000. It is enough to say that probably there are single business concerns in Chicago which have as much owing them as is returned for the entire county. In addition, it will be seen that while Cook County has only about twelve millions of taxable credits the remainder of the state has more than a hundred millions.

And, there are other inconsistencies; for example: Winnebago County has (full value) nine million dollars of taxable credits ("other than banker") against Cook County's twelve million. Kane has \$4,500,000; Ogle, \$3,000,000; McDonough, \$3,300,000; Knox, \$3,000,000; McLean, \$3,200,000; Vermillion, \$3,200,000; Morgan, \$3,600,000; Sangamon, \$4,300,000; Peoria has barely one-half of any of the counties mentioned, and the same is true of LaSalle, Will, and other counties. Thus, it appears that while the country counties as a group are assessed high on credits as compared with Cook, they are by no means evenly assessed as among themselves. But credits is not the only class of intangibles that escapes, or is unevenly assessed under the present system.

Consider mortgages. For the entire state, \$1,209,300—full value, \$3,627,900—of mortgages are listed for taxation. Cook County returns less than one-tenth of the total while it is well known that there are scores of mortgages any one of which approximates the full total returned by the county. Other counties show uneven assessments of mortgages. Little Tazewell county has a larger mortgage assessment than Cook and many other counties are similarly disproportionate. Will County lists nearly five times more in mortgages than Sangamon. Many counties return no mortgages at all.

"Shares of capital stock of companies not of this State show great inconsistencies. Only \$1,364,852 is listed in the entire state—full value, \$4,094,556. And of this Cook County, where the bulk of such taxable values is held returns \$622,949—full value—about one-fifth of the state total. As a matter of fact the bulk of this sort of property in Illinois is owned and held in Chicago; and probably there are hundreds of times as much in the state as is listed for taxation. It is worth while to note that Kane County returns much more of this taxable value than Cook.

It is the same in regard to bonds and stocks. The state total—full value—is a little more than thirty million dollars. Cook has about \$18,000,000, Vermillion, \$1,000,000; Sangamon, \$210,000. Many counties return none.

These manifest inequalities in the assessment of intangibles result from the variant conditions in different counties. In some counties the assessing officials direct especial effort to discovering and listing intangibles. In others no such effort is made, the result is that some counties bear the burdens which ought to be uniformly distributed. The failure to assess is due mainly to the defects of the theory and system of taxing all intangibles at the same rate as other property. The Tax Amendment to be voted on November 7 will make a revision possible. But, affirmative votes—a majority of all voters—must be recorded in its favor. If this amendment is not adopted, at least four years must elapse before the people can possibly have another opportunity and it may be even longer.

ALL PARTIES FAVOR TAX AMENDMENT

"Vote Yes" say All Nominees for Governor and Peoria and Springfield State Platforms.

Springfield, Ill.—With the endorsement of the pending tax amendment to the Constitution by the Democratic State Convention held in this city all parties are now committed to urge a "yes" vote for this measure, Nov. 7.

The Republican State Convention at Peoria a week before, adopted a plank urging favorable action by the voters. John R. Golden of Bloomington, prohibition nominee for governor, and Seymour Stedman, Chicago, socialist nominee for governor, also have endorsed the pending amendment. Frank O. Lowden, the Republican candidate for governor; Governor Dunne, the Democratic candidate, and the State leaders of both Republican and Democratic parties have been active in the amendment campaign. Frank L. Smith of Dwight and Morton D. Hull of Chicago, Republican candidates, and William B. Brinton, Democratic candidate, before the primary, advocated the amendment.

The Republican platform says: "We favor the adoption of the constitutional amendment, submitted by the last general assembly, providing for the classification of personal property for the purpose of taxation."

The Democratic platform says: "We favor the constitutional amendment relating to the taxation of personal property and urge its adoption by the voters * * * in order that our antiquated tax laws may be revised upon a more modern and equitable basis, and the burdens of taxation more justly distributed."

John R. Golden says: "I am very heartily in accord with the work for adoption of the Tax Amendment. I have advocated such reform for ten years in my public addresses. I worked to bring some relief when a member of the Illinois General Assembly. You may count on me to help in every way that I can."

Seymour Stedman says: "I endorse the pending Amendment to the Illinois Constitution, and will urge the voters this fall to vote for its adoption. The Amendment does not go as far in its grant of Legislative Power as I think it should, but it is in all probability as great a step forward as can be possibly secured in the near future, and the need for even a slight improvement is very great."

The Amendment, if adopted, will give the legislature authority to revise the personal property tax laws on a modern basis and to tax various classes of personal property according to character and ability to bear. Advocates of the amendment emphasize that all the party endorsements of the amendment will not avail unless the voters do their share on Nov. 7, as the measure requires a majority of all those voting for members of the General Assembly in order to be adopted.

LEADING TAX OFFICERS FAVOR AMENDMENT

Both County and State Assessing Officials Urge Tax Reform.

"Candidates for member of the Board of Review and Board of Assessors are boosting for the Tax Amendment which will be voted upon in November," says the Chicago Daily News referring especially to the candidates for the offices named in Chicago.

The Association of Supervisors, County Commissioners and County and Probate Clerks of Illinois, composed chiefly of taxing officials, at its recent convention in Quincy, adopted resolutions urging the voters to support the Amendment. State Auditor, James J. Brady, who is ex-officio chairman of the State Board of Equalization—technically the supreme taxing body of the State, and State Treasurer Andrew Russell, who is the Republican nominee for State Auditor, both urge the adoption of the Amendment. So do most of the county treasurers, assessors and members of the boards of review throughout the State.

No men in Illinois are so keenly aware of the defects of the present system of taxing intangibles as those who have served on the assessing bodies. They know that it is impossible to hunt out and assess all the hidden forms of wealth which the law requires them to discover. Recent attempts in Chicago in the direction of imposing penalties upon intangible property owners who do not make returns have been frustrated by the decisions of the Illinois Supreme Court. As a matter of fact Illinois assessing bodies do not have official authority sufficient to enable them to uncover hidden taxable values. And, if they have ample powers to bring everybody before them and compel true statements to be made, imposing penalties in cases of non-compliance, they would still be incapable of enforcing the law uniformly because they would lack the time and necessary clerical force.

NOW FOR NEW TOGS

Copyright 1916 by International News Service.



ASSESSORS HELPLESS EVASION IS PROVOKED

Not to Blame Because the Tax System Fails.

Only "Mind-Readers" With Vast Power and Clerical Force Could Enforce Present Unworkable Law.

Assessors in Illinois are not to blame for the tax dodging and evasions of personal tax laws. The Illinois system was planned merely to assess visible property—things that could not escape observation. At first its defect was not gravely serious, but as wealth has increased a larger and larger proportion of the taxable values in the state have come to be intangible in character and invisible—escaping the eye of the assessor. The law makes it as much the assessor's duty to assess intangibles as it does to assess farm lands, but the law does not give to the assessor sufficient power to enable him to hunt out intangible property.

"Supposing I had full power," asks one assessor. "What could I do? I might call before me and question, under oath, every person who might possibly have intangibles, and try to compel them to tell of their holdings. The law might provide for their punishment if they failed to answer properly. Even then I should have to be a mind-reader and able to see through walls and into strong boxes. Would the public like that sort of thing?"

The assessing bodies have not sufficient clerical machinery even if they had the legal power. In Chicago there are more than half a million of possible taxpayers. To summon, question, and deal with this number would require the handling of a thousand a week every day in the year. And, it would not be possible to extend the work over a year. It would have to be done in two or three months and this means that a thousand a day would have to be disposed of.

Realizing that they cannot uniformly assess hidden intangibles assessors are reluctant to assess the few that are returned by honest persons—they don't feel like penalizing honesty! And, in fact the assessor and every one else knows that to tax intangibles at present tax rates will result in driving them from the state to the public loss. Illinois needs a new tax system. The Tax Amendment will make it possible to enact proper laws—laws that will make the taxation of intangibles automatic—and the rate not such as to increase interest rates or drive intangibles out of the State. The amendment, to be adopted, must have a majority of all the votes cast November 7.

NOT SUCCESSFULLY APPLIED

By E. H. Wolcott, State Tax Commissioner, Indianapolis, Ind.

The almost universal condemnation of the general property tax is due to the fact that it can not be successfully applied, being a uniform and equal tax upon all property alike without regard to "ability to pay" or "benefits derived."

Belleville News-Democrat: Under the present method of taxing all property at the same ratio of value, it is said, a large portion of personal property, and substantially all personal property evidenced on paper, such as bonds, stocks, notes, etc., has escaped taxation.

Princeton Republican: The constitutional requirements in relation to the assessment and taxation of property now are the same as they were in 1840. In fact, they are the same as they were in 1818, when the total revenues of the state were only about \$60,000 a year.

Illinois Press Comment.

Mt. Carmel Republican: The tax amendment is worthy of adoption and is much needed.

Aurora News: The proposed amendment will permit the general assembly to use its discretion in methods of taxing personal property.

Pontiac Leader: Voters of Illinois will be asked at the November election to pass judgment on an important tax amendment to the state constitution.

Champaign Gazette: It would be a sad waste of effort if this amendment should fail because of lack of information or because a few citizens merely forgot about it.

Chicago Post: Leading candidates for governor, regardless of party or faction, say that the state constitution should be amended by the adoption of the tax amendment.

Kewanee Star Courier: Every voter in Illinois who goes to the polls on November 7 will have a voice in deciding whether or not the tax amendment to the state constitution shall be adopted.

Moline Dispatch: There is no good reason why any person—even though he is not generally a student of such matters—should not fully understand the pending tax amendment to the Illinois constitution.

Quincy Journal: Both farmers and real estate men favor the important tax amendment to the state constitution which is to be voted on at the election, November 7, as pointed out in the resolution adopted by the Real Estate Association of Illinois.

Ottawa Republican: The Farmers' institute, has sent out a circular endorsing the resolutions recently passed by the Real Estate association in favor of the proposed tax amendment to the state constitution.

Rockford Daily Republic: The greatest economic problem before the state of Illinois today is unquestionably the revision and rearrangement of our tax laws. Our present system of levying taxes upon general property direct has fastened the burden of taxation upon real estate.

Edwardsville Intelligencer: Failure to mark the "little ballot" for the amendment will be counted against it. Therefore, those who believe the tax system should be changed, must remember to vote for the tax amendment and urge their neighbors to remember to vote for it.

Chatsworth Plaindealer: Adoption of the pending tax amendment to the Illinois constitution at the November 7 election was endorsed by a vote of the thirtieth annual convention of the State Association of Supervisors, County Commissioners, County and Probate Clerks at its session in Quincy.

Galva News: Those who have taxable property or effects which can be hidden from the eye of the assessor continue to try to hide them, and the poor taxpayer who has so little that it is all, at all times spread out to the public view, will continue to carry a share of the burden which rightfully belongs to his more fortunate brother.

Levittown News: Under the present law of Illinois A may sell a horse to B for \$200 and take a note for that amount in payment. A can be assessed for the note and B for the horse, thus creating a double tax. B might sell the horse to C and C to D, each of them taking a note, and there would then be \$800 worth of property for taxation and still but one horse. Six hundred dollars of this amount is fictitious and really amounts to a tax upon indebtedness.

AMENDMENT RESULT OF YEARS OF WORK

Product of Study of Impartial State-wide Tax Commission of 1911.

The Edwardsville Intelligencer states the situation accurately when it points out that "too much attention cannot be given to the Tax Amendment." It took years of hard work to secure submission of the Amendment—prepared by the statewide Tax Commission of 1911—to the people.

The State Constitution provides that "the General Assembly shall have no power to propose amendments to the same articles oftener than once in four years." Because of this if the Tax Amendment is not adopted, no substantial reform can be accomplished for at least four years in the work of taxing intangible values. The result will be that tangible property even more than now will have to bear the burden of the support of government.

In addition to this loss of revenue, the wholesale violation of the tax laws will continue. And, no more harmful spectacle can be presented to those who already have too little regard for the mandates of the law than the sight of the rich escaping, by means of evasion from the tax burden which the law expressly places upon the certain forms of property which they hold. The Tax Amendment will make it possible for the legislature to enact just laws that will do away with tax evasion on intangibles. A majority of those voting at the election must vote for the Amendment in order to insure its adoption.

ILLINOIS BEHIND OTHER STATES

Just Systems for Taxation of Intangibles Elsewhere Relieve much of the Tax Burdens Now Borne in Illinois.

OUR CONSTITUTION OBSTRUCTS

Pending Tax Amendment When Adopted Will Make It Possible to Put Illinois Abreast of Other States in Modern Tax Methods—Must Have a Majority Vote.

While Illinois has remained tied to an impossible system of taxation, other states have devised new systems especially for deriving revenues from accumulated wealth, and not only have other states outstripped Illinois in improved taxation methods, but it is also a fact that nowhere in Europe is the old-time uniform tax system attempted to be applied to taxation of intangible values.

In New York state the closest attention has been given to the revenue producing and equitable phases of taxation:

Since 1880 the policy towards the taxation of personal property has been to classify such property and to impose a special tax upon each separate class. In 1913, as a result of the classified system, the proportion of tax burden paid by real estate showed a reduction from 87 per cent to 65 per cent. In Illinois the tax proportion of real estate is slowly but surely increasing. In New York in the last year—1906—when effort was made to assess mortgages on the same basis as real estate—the present Illinois system—less than a million dollars of revenue was derived from the tax. At the present time, under the new system, about four million dollars are collected.

Classification in Pennsylvania. The Constitution of Pennsylvania provides that "All taxes shall be uniform, upon the same class of subjects, within the territorial limits of the authority levying the tax." This provision has been in the Pennsylvania constitution since 1874. It is much more comprehensive than the amendment to be voted on in Illinois, which permits classification only of personal property. For more than 30 years Pennsylvania has taxed intangible values at the rate of 40 cents on each \$100 of full value, and about half of the tax collected is derived from mortgages. The amount of intangible values now assessed in Pennsylvania is somewhat over a billion dollars and invariably each year shows an increase.

Massachusetts for Modern System. The state of Massachusetts is now bringing about a more modern taxation system. Minnesota has amended the state constitution so as to give the legislature full power over classification and taxation of all kinds of property. In the year 1911 the legislature prescribed a 30-cent tax on each \$100 of intangibles. At that time the total intangible property assessment in the state was less than \$14,000,000. In 1914 the assessment had increased to nearly \$200,000,000, and the number of persons assessed was 1,000 per cent greater than under the old system—showing that the tax is now much more evenly borne. The total tax now collected from intangibles in Minnesota is about twice as much as under the old.

Michigan and Rhode Island. In Michigan, where Governor Pinckney started the tax reform agitation about 20 years ago, the Constitution was amended in 1906 so as to permit the classification of all kinds of property for taxation. Rhode Island formerly had the Illinois system, but abandoned it as impracticable and adopted a system like that of other advanced states. The Wisconsin Constitution gives the legislature broad powers.

Maryland and Other States. Maryland began a classification of personal property in 1896. At that time interest-paying bonds, etc., in the city of Baltimore, at a \$2.17 rate, yielded only \$130,000 in revenue. In 1897, with a 47-cent rate, the revenues more than doubled, and in 1915 a 45-cent rate produced nearly a million dollars. November 2, 1915, Maryland voters adopted an amendment giving the legislature still further powers of classification.

Other states have classification systems with low rates for intangible values. At the same time, in almost every state in the Union the movement is for similar reduction of the tax on intangibles.

The pending tax amendment will make it possible for the legislature of Illinois to provide a modern system. This will prevent Illinois from being outdistanced by other states in proper methods for dealing with intangibles. But, it must not be lost sight of that the amendment requires for its adoption a majority of all the voters voting November 7.